

Message Text

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ACTION STR-04

INFO OCT-01 EUR-12 IO-10 ISO-00 AGR-05 CEA-01 CIAE-00

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NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 TAR-01

TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 /097 W

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R 271757Z MAY 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0377

INFO AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

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OECD PARIS FOR AMBASSADOR DENT

E.O. 11652: N/A

TAGS: EGEN, EFIN, ETRD, GW

SUBJECT: AMBASSADOR DENT'S MEETING MAY 26 WITH
GERMAN OFFICIALS

1. SUMMARY: WE APPRECIATED VERY MUCH HAVING VISIT
OF AMBASSADOR DENT IN BONN SO EARLY IN HIS NEW
POSITION. SENIOR GERMAN OFFICIALS WERE IMPRESSED
AND PLEASED BY AMBASSADOR DENT'S FIRM AND INFORMED
GRASP OF THE SUBJECT MATTER WITH WHICH HE WAS
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DEALING. DURING MEETINGS MAY 26 WITH STATE SECRETARY

SACHS IN THE FOREIGN MINISTRY AND LUNCHEON GIVEN BY ECONOMICS MINISTER FRIDERICH, BOTH SIDES EXPLORED IN DEPTH HANDLING OF FORTHCOMING TRADE NEGOTIATIONS AS WELL AS OTHER TRADE POLICY QUESTIONS. DURING CONVERSATION WITH STATE SECRETARY POEHL IN THE FINANCE MINISTRY, POEHL DWELT AT LENGTH ON LESS PROMISING ASSESSMENT OF GERMAN ECONOMIC OUTLOOK THAN THAT OF SIX OR EIGHT WEEKS AGO. END SUMMARY.

2. DURING MEETING WITH STATE SECRETARY SACHS IN THE FOREIGN MINISTRY (WITH WHOM AMBASSADOR DENT HAD A CHANCE TO BECOME ACQUAINTED AT THE AMBASSADOR'S DINNER THE PREVIOUS EVENING), DENT SAID WE WERE APPROACHING THE JULY 15 TNC MEETING WITH A POSITIVE ATTITUDE AND EXPLORED WITH SACHS THE POSSIBILITY OF ACHIEVING SOMETHING IN SOME AREAS NEXT YEAR TO PROVE THAT IT IS POSSIBLE TO ACHIEVE PROGRESS UNDER US TRADE LEGISLATION. AMBASSADOR DENT SUGGESTED THE POSSIBILITY OF MOVEMENT IN THE AREA OF TROPICAL PRODUCTS OR PERHAPS IN CERTAIN NTB AREAS. SACHS CONSIDERED IT PROPITIOUS THAT THE MTNS WERE NOW UNDERWAY SINCE THAT MIGHT INHIBIT PROTECTIONIST FORCES IN THIS PERIOD OF WORLD-WIDE RECESSION. HE ALSO HOPED IN THIS CONNECTION THAT THE TRADE PLEDGE COULD BE RENEWED AT THE FORTHCOMING OECD MINISTERIAL. AS TO THE POSSIBILITY OF REACHING "SECTORAL" AGREEMENTS IN THE MTN BEFORE ACHIEVING FINAL RESULTS, SACHS THOUGHT WE WOULD HAVE TO BE CAREFUL TO BALANCE INTERESTS IN INTERIM AGREEMENTS, RECALLING THE UNFORTUNATE EXPERIENCE WITH THE ASP.

3. AMBASSADOR DENT RECALLED THAT IN THE KENNEDY ROUND THE SITUATION WAS DIFFERENT SINCE WE HAD NO FORMAL STRUCTURE OF CONSULTATION IN WASHINGTON. SACHS WONDERED ABOUT THE POSSIBILITY OF MAKING PROGRESS ON LIBERALIZATION IN THE LIGHT OF RECESSIONARY FORCES IN THE UNITED STATES. AMBASSADOR DENT RECOGNIZED THAT NINE MILLION UNEMPLOYED IN THE US COULD NOT BUT HAVE SOME EFFECT. HE TOLD SACHS, HOWEVER, THAT WE SEE SIGNS OF AN LIMITED OFFICIAL USE

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ECONOMIC PICK-UP AND THAT HARDER EVIDENCE SHOULD BECOME CLEAR IN THE AUTUMN. IN SPITE OF THESE PROBLEMS HE ASSURED SACHS THERE COULD BE NO DOUBT AS TO THE ADMINISTRATION'S COMMITMENT TO LIBERALIZATION AND TO THE MTN NEGOTIATIONS.

4. ON COMMODITIES SACHS WONDERED HOW WE ENVISAGED HANDLING ISSUE IN THE LIGHT OF SECRETARY KISSINGER'S

KANSAS CITY SPEECH. AMBASSADOR DENT ASSURED SACHS
WE WERE PREPARED TO APPROACH THE PROBLEM ON A CASE-
BY-CASE BASIS AND HOPED THAT THE SUPPLY QUESTION WOULD
BE DEALT WITH IN THE GATT. AMBASSADOR DENT ALSO
EXPLAINED THE MOTIVATION AND JUSTIFICATION FOR OUR
POSITION ON THE HANDLING OF AGRICULTURAL PRODUCTS
INCLUDING THE NEED FOR STOCKPILING. AS FAR AS
GRAINS ARE CONCERNED HE THOUGHT THE MATTER SHOULD
BE ADDRESSED WITHIN THE FRAMEWORK OF THE IWC WHICH
HAS THE BENEFIT OF EXPERIENCE AND OF SOVIET
PARTICIPATION. SACHS THOUGHT THAT THE SOLUTION TO
FOOD PROBLEM FOR THE LDCS FOR THE LONG RUN COULD

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R 271757Z MAY 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 0378

INFO AMEMBASSY BRUSSELS

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NOT DEPEND ON FOOD AID BUT SHOULD DEPEND RATHER ON GREATER SUFFICIENCY IN THE LDCS. AMBASSADOR DENT AGREED BUT SAID WE STILL HAD TO DEAL WITH THE SHORT TERM PROBLEM.

5. THERE WAS A MORE EXHAUSTIVE AND DETAILED DISCUSSION OF TRADE POLICY ISSUES FOLLOWING MINISTER FRIDERICH'S LUNCHEON ATTENDED BY TRADE EXPERTS OF THE ECONOMICS MINISTRY. FRAU STEEG, ASSISTANT SECRETARY FOR TRADE POLICY, AGREED IT LIMITED OFFICIAL USE

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WOULD BE DESIRABLE TO HAVE COMMODITIES DISCUSSED IN GATT. SHE DOUBTED WHETHER THIS WAS GOING TO BE POSSIBLE SINCE THE LDCS DON'T WANT TO DISCUSS IT IN GATT BUT WOULD RATHER "POLITICIZE" THE PROBLEM AT FORA SUCH AS THE SEVENTH SPECIAL SESSION OF THE GENERAL ASSEMBLY. SHE ALSO AGREED THAT A SECTORAL APPROACH WAS WORTH TRYING AND HER ASSISTANT, ELSON, THOUGHT WE COULD ADOPT BOTH A SECTORAL AND A GENERAL APPROACH.

6. ELSON ALSO WONDERED HOW WE WERE GOING TO DEAL WITH THE PROBLEM OF RECIPROCITY IF WE SOUGHT TO HAVE EARLY SOLUTION ON CERTAIN PACKAGES. HE WAS WORRIED ABOUT UNREALISTIC TIMEFRAMES AND SAW DANGER IN SETTING SPECIFIC DATES FOR PROGRESS. HE AGREED, HOWEVER, ON THE NEED TO ACCELERATE WORK ON THE MTN.

7. FRAU STEEG AGREED THAT GERMANS ACCEPT EXPLORATION IN JULY OF CONCEPT THAT SOME AREAS BE IDENTIFIED FOR MORE RAPID PROGRESS. SHE SAW, HOWEVER, LITTLE LIKELIHOOD OF IDENTIFYING THEN THOSE AREAS OR SETTING FIRM DEADLINES FOR PROGRESS. ELSON REFERRED IN PASSING TO FACT THAT LITTLE HAD BEEN HEARD FROM THE US ON ESCAPE CLAUSE AND WONDERED WHAT WE PLANNED. KUEHN, ALSO ON FRAU STEEG'S STAFF, SAID THAT THE FACT THAT THE EC-9 WERE GOING THROUGH THEIR USUAL COORDINATING PROCESS DOES NOT MEAN THAT THEY DO NOT WISH TO DISCUSS THE PROBLEM. THERE WAS ALSO GENERAL AGREEMENT THAT EXPORT CONTROL AND ACCESS PROBLEMS COULD BE DEALT WITH IN GATT FORUM.

8. KUEHN ALSO STRESSED THE IMPORTANCE OF OUR CONSULTING WITH EACH OTHER BILATERALLY OR OTHERWISE BEFORE SPRINGING NEW INITIATIVES IN THE

NEGOTIATIONS. HE COMPLAINED RECENTLY OVER AN AMERICAN INITIATIVE ON ACCELERATION OF WORK ON STANDARDS IN GENEVA. UNDER THE CIRCUMSTANCES THE EC REPRESENTATIVE SAID NO, ALTHOUGH KUEHN BELIEVED THAT THE GERMANS AND THE REST OF THE EC COULD NOW AGREE.

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9. THE GERMANS AGREED AT LUNCH THAT ONE OF THE LDCS' PROBLEMS WITH COMMODITIES IS THE ORGANIZATION OF WORLD MARKETS. THEY SUGGESTED THAT THIS MATTER MIGHT BE DISCUSSED BETWEEN US AT THE MARGINS OF THE FORTHCOMING MEETING AT GENEVA TO DISCUSS TROPICAL PRODUCTS.

10. IN A WIDE-RANGING DISCUSSION WITH FINANCE MINISTRY STATE SECRETARY POEHL, AMBASSADOR DENT DESCRIBED THE PRESENT STATE AND PROSPECTS OF THE US ECONOMY. POEHL SAID THAT THERE STILL WERE NO SIGNIFICANT SIGNS OF ECONOMIC UPTURN IN GERMANY.

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 0379

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EXPORTS WHICH HAD FUELED ALL PREVIOUS REVIVALS WERE A DRAG ON RECOVERY THIS TIME. THE GERMANS, AND PARTICULARLY THE CHANCELLOR, WERE WORRIED THAT THE US ECONOMY MIGHT CONTINUE TO STAGNATE AND THE WORLD-WIDE RECESSION DEEPEN.

11. POEHL ALSO ASKED AMBASSADOR DENT REGARDING US VIEWS OF THE DOLLAR AND SAID THAT HE, POEHL, FELT THE DOLLAR AT THE MOMENT TO BE A LITTLE TOO WEAK AT LEAST AGAINST THE DM. AMBASSADOR DENT REPLIED
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THAT PRESENT LOW US INTEREST RATES WERE DESIGNED TO HELP BRING ABOUT THE ECONOMIC UPTURN. AS THE US ECONOMY PICKED UP STEAM INTEREST RATES WERE LIKELY TO RISE AND THE DOLLAR WOULD STRENGTHEN.

12. IN REFERRING TO THE IMPASSES ON INTERNATIONAL MONETARY REFORM, POEHL SAID THAT THE GERMANS COULD WELL LIVE WITH THE PRESENT SYSTEM AND THEREFORE WERE NOT TOO WORRIED ABOUT THE STALEMATE EXCEPT THAT HE, POEHL, WAS CONCERNED ABOUT POLITICAL REPERCUSSIONS FROM THE LDCS IF NOTHING WERE DONE TO MEET SOME OF THEIR NEEDS NOW. FROM THE GERMAN POINT OF VIEW, THE USE OF IMF GOLD FOR THIS PURPOSE WAS A VERY ATTRACTIVE POSSIBILITY. BUT THE DIFFICULTIES IN THE WAY WERE VERY LARGE AND GERMANY ALSO WOULD BE WILLING TO MAKE AVAILABLE THE SMALL AMOUNT OF BUDGET FUNDS FOR THE IMF INTEREST SUBSIDY.

13. REFERRING TO A CABLE HE HAD JUST RECEIVED FROM THE GERMAN EMBASSY IN WASHINGTON, POEHL EXPRESSED SHOCK AT THE POSSIBLY IMPENDING

BANKRUPTCY OF NEW YORK CITY AND THE REPERCUSSION
THIS COULD HAVE ON STANDING OF PUBLIC BORROWERS
AROUND THE WORLD. AMBASSADOR DENT BRIEFED POEHL
ON THE BACKGROUND OF REFUSALS BY THE FEDERAL
GOVERNMENT TO BAIL OUT NEW YORK CITY.

14. THIS MESSAGE WAS PREPARED AFTER AMBASSADOR
DENT'S DEPARTURE.
HILLENBRAND

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Message Attributes

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